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UNCLAS HARARE 001577

SIPDIS

SENSITIVE

STATE FOR AF/S and AF/EX  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
PASS USTR FLORIZELLE LISER  
TREASURY FOR ED BARBER AND C WILKINSON  
STATE PASS USAID FOR MARJORIE COPSON

E. O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [ZI](#)

SUBJECT: Cargill Makes Bootleg Currency

1. (U) Summary: By printing their own Zimbabwean currency, Cargill executives have found an inventive solution to Zimbabwe's banknote shortage. End Summary.

"Cargill" Cash

2. (SBU) With few banknotes available, Cargill had been unable to compensate small-scale cotton growers. So the firm created over Z\$ 7.5 billion (U.S. \$2.2 million) of its homemade scrip in Z\$ 10,000 and Z\$ 5,000 denominations. This monopoly money has been a smashing success, becoming widely traded throughout the country in just three months. Most retailers - including all Harare supermarkets - now accept the scrip.

3. (SBU) The Cargill execs admit they initially made a mistake by touting the scrip as "legal tender." Coverage in the far-flung press (e.g., Chicago Tribune, Seattle Times) peeved the sovereignty-sensitive GOZ. Officially, the GOZ clings to make-believe official exchange rates, circulating no note larger than Z\$ 500 (US\$ .12). The official media lashed out at Cargill for hoarding banknotes, then police raided its offices. But Cargill mended fences. Managers insisted the firm was alleviating the banknote shortage and postponing the GOZ's politically-painful printing of larger notes.

Comment

4. (SBU) Repeatedly, we marvel at the private sector's ingenuity in coping with Zimbabwe's peculiar challenges - in this case, an economy sans banknotes. Thanks to its scrip, Cargill perseveres. In fact, execs quietly concede the firm is making a killing on the "float," putting off actual payment until scrip is cashed in. With bank lines blocks long, few recipients go that route. When scrip finally does trickle in, Zimbabwe's 365-percent inflation will have reduced its value - and Cargill's payout - precipitously. That makes monopoly money even better business than cotton in this oddball economy.

Whitehead